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IN THE

Supreme Court of the United States

October Term, 1971.

No. 71-570

BURLINGTON INDUSTRIES, INC.,
Petitioner,

v.

THIOKOL CHEMICAL CORPORATION,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your Petitioner, Burlington Industries, Inc., prays that a Writ of Certiorari be issued to review the Order of the United States Court of Appeals for the Third Circuit entered in the above-entitled action on September 7, 1971.

I.

ORDERS, OPINIONS AND JUDGMENTS BELOW.

(a) Opinion and Order of the Court of Appeals for the Third Circuit, Appeal Nos. 19,166, 71-1029, 71-1030 and 71-1031. The appeal specifically involved in this Petition is Appeal No. 71-1030.

(b) Opinion of the District Court for the District of Delaware dated November 16, 1970, 319 F. Supp. 218, 167 U. S. P. Q. 724 (1970).

(c) Order of the District Court for the District of Delaware dated December 11, 1970.

(d) Order to Stay by District Court for the District of Delaware dated December 11, 1970.

II.

STATEMENT OF THE GROUND ON WHICH JURISDICTION OF THIS COURT IS INVOKED.

(a) The jurisdiction of this Court is invoked under Title 28 § 1254 of the United States Code.

(b) The Order which Petitioner seeks to have reviewed herein is dated September 7, 1971. No petition for rehearing was filed.

III.

QUESTIONS PRESENTED.

1. Where a Federal District Court injunction staying further proceedings in an earlier filed State Court action is held to be impermissible, may a Federal Circuit Court of Appeals properly instruct a Federal District Court to proceed with a declaratory judgment action which gave rise to the impermissible injunction where to do so will interfere with the earlier filed and still pending State Court proceeding?

2. In the absence of diversity of citizenship, should a Federal District Court be permitted to accept jurisdiction of a declaratory judgment action where to do so will interfere with an earlier filed and still pending State Court action?

IV.

STATUTES INVOLVED.

Two Acts of Congress are involved, namely, 28 U. S. C. 2283 and 28 U. S. C. 1338(a).

V.

STATEMENT OF THE CASE.

On December 11, 1970 the Honorable Caleb M. Wright, Chief Judge of the United States District Court for the District of Delaware, entered an order in Civil Action 3906 enjoining the parties in a then pending and earlier filed State Court civil action from proceeding further in that action. The pertinent events preceding the entry of the District Court order enjoining further action in the State Court action were as follows:

In July of 1969 Thiokol Chemical Corporation (hereinafter Thiokol) defaulted on royalty payments due Burlington Industries, Inc. (hereinafter Burlington) under a patent license agreement. On being notified of such default, Thiokol, on September 19, 1969, filed a declaratory judgment complaint in the U. S. District Court for the District of Delaware (Civil Action 3782). This complaint was subsequently dismissed for lack of jurisdiction. On December 22, 1969 Burlington filed a complaint in assumpsit against Thiokol in a Pennsylvania State Court seeking recovery of unpaid royalties due under the license agreement. Thiokol countered by filing a second declaratory judgment complaint in the Federal District Court in Delaware (Civil Action 3906) seeking recovery of royalties previously paid and seeking a holding of invalidity of the licensed patents. Burlington again moved to dismiss for lack of jurisdiction.

In an opinion dated November 16, 1970 the District Court denied the motion to dismiss and held that "in this matter of jurisdiction, if there is a choice between federal and state jurisdiction, the choice must lie with the federal courts". Thiokol thereupon filed in the District Court a motion to enjoin the parties from further proceedings

in the Pennsylvania State Court action. The District Court, on its own motion, then entered the injunctive order of December 11, 1970 referred to above. At the same time the District Court entered an order denying Burlington's Motion to Dismiss Civil Action 3906 for lack of jurisdiction. Burlington appealed to the Circuit Court of Appeals for the Third Circuit in separate appeals covering both orders.

The Court of Appeals for the Third Circuit in a judgment dated September 7, 1971 vacated the injunctive order of the District Court as impermissible, but affirmed the jurisdictional order "with instructions to proceed in the suit as instructed in the opinion of this Court". This latter judgment instructing the Federal Court to proceed with the Federal District Court declaratory judgment action is the subject of the present petition.

VI.

REASONS FOR GRANTING THE WRIT OF CERTIORARI.

A. Conflict With the Principles Enunciated by the United States Supreme Court in *Samuels v. Mackell*, U. S. Sup. Ct. Reports, 27 L. Ed. 2d 688 (1971).

The Court of Appeals order vacated the District Court injunction as constituting impermissible interference with a pending State Court action, but instructed the District Court to proceed with a declaratory judgment action which would equally interfere with the State Court action. This order contravenes the principles enunciated by the United States Supreme Court in *Samuels v. Mackell*, U. S. Sup. Ct. Reports, 27 L. Ed. 2d 688 (1971).

B. In the Absence of Diversity of Citizenship, Federal Declaratory Judgment Jurisdiction Should Be Declined Where the Only Controversy Consists of a Civil Action Brought in a State Court for Recovery of Royalties Due Under a Contract and Where the Declaratory Judgment Action Is Brought to Forestall a State Court Decision.

VII.

ARGUMENT.

A. This Petition presents a question alluded to but not specifically decided in *Younger v. Harris,* U. S. Sup. Ct. Reports, 27 L. Ed. 2d 669, concerning the independent force of the federal anti-injunction statute, 28 U. S. C. § 2283. In the concurring opinion of Justices Stewart and Harlan in *Younger,* the following passage appears at pages 681 and 682:

> "In basing its decisions on policy grounds, the Court does not reach any questions concerning the independent force of the federal anti-injunction statute, 28 USC § 2283. Thus we do not decide whether the word 'injunction' in § 2283 should be interpreted to include a declaratory judgment, or whether an injunction to stay proceedings in a state court is 'expressly authorized' by § 1 of the Civil Rights Act of 1871, 42 USC § 1983. And since all these cases involve state criminal prosecutions, we do not deal with the considerations which should govern a federal court when it is asked to intervene in state civil proceedings, where, for various reasons, the balance might be struck differently."

The Circuit Court of Appeals order in the present case brings into question the considerations which should govern federal court intervention or interference in civil proceedings pending in a State Court. Under the Court of Appeals order the Federal District Court is not only affirmed in its exercise of jurisdiction, but is instructed to proceed in the Federal action upon finding "that the state court is willing to hold the matter before it in abey-

ance pending a declaratory federal adjudication" *Thiokol Chemical Corp. v. Burlington Industries, Inc. et al.*, — F. 2d — (C. A. 3, 1971). Having properly decided that the District Court was precluded by 28 U. S. C. § 2283 from enjoining the State Court action, the Circuit Court approved an even greater federal interference by ordering further proceedings in the very declaratory judgment action which gave rise to the impermissible injunction. The Court of Appeals order effectively emasculates the anti-injunction statute as applied to State Court civil proceedings since, as pointed out in *Samuels v. Mackell, supra,* at page 693—the effect of res adjudicata will effectively remove from the State Court any further decision on the merits. In *Mackell,* the Supreme Court said:

> "Secondly, even if the declaratory judgment is not used as a basis for actually issuing an injunction, the declaratory relief alone has virtually the same practical impact as a formal injunction would. As we said in the Wycoff case, supra, 344 US at 247, 97 L. Ed. at 298:
>
> > 'Is the declaration contemplated here to be res judicata, so that the [state court] cannot hear evidence and decide any matter for itself? If so, the federal court has virtually lifted the case out of the State [court] before it could be heard. If not, the federal judgment serves no useful purpose as a final determination of rights.' See also H. J. Heinz Co. v. Owens, 189 F. 2d 505, 508-509 (CA 9th Cir. 1951)."

Insofar as the prohibition against Federal Court interference with State Court proceedings is concerned, the principles applicable are the same for both interference by injunction and interference by declaratory judgment.

Indeed, such was the finding of the Court of Appeals for the Third Circuit in the present case:

> "True, the statute explicity prohibits only injunctions. Its analogical extension to prohibit declaratory judgment is justified in situations where the underlying policy against unseemly interference with proper state litigation applies to both."

However, the Court of Appeals merely paid lip service to this principle. It not only supplied a jurisdictional basis for the declaratory judgment action, even though the only controversy was the State Court action, but also instructed the District Court how to proceed by declaratory judgment and to do by declaratory judgment what it was prohibited from doing by injunction. The prohibition against Federal interference as set forth in *Public Serv. Comm'n v. Wycoff*, 344 U. S. at 247, was reaffirmed in *Samuels v. Mackell, supra,* at 693. The present case points the way around the established rule and will become the standard procedure to forestall State Court decisions unless this Petition is granted.

A definitive decision by the United States Supreme Court is needed to clarify the general rule applicable to interference by Federal District Courts with pending State Court civil actions where the state is not a party. The vacuum created by the absence of such a decision leads to anomalous results, such as those in the present case, where interference by injunction is held to be impermissible, but interference by way of declaratory judgment and persuasion is encouraged. Since *Lear v. Adkins,* 395 U. S. 653 (1970), in various State Court civil actions brought for the recovery of patent royalties under license agreements, the defense of invalidity of the licensed patents has been asserted. A procedure for the forestalling of such

State Court breach of contract actions, such as that sanctioned by the Court of Appeals for the Third Circuit in the present case, will have a widespread influence on defendants in such actions who will find it preferable to be declaratory judgment plaintiffs in Federal District Courts rather than defendants in State Courts. Thus, the right of a plaintiff to proceed in a State Court in such cases will be effectively abolished through Federal District Court interference.

B. The sole basis for federal jurisdiction found by the Circuit Court of Appeals was the pendency of the State Court civil action in assumpsit. In the present case, there is no threat or even any suggestion of the bringing of an action for patent infringement. Neither the District Court nor the Circuit Court of Appeals was able to point to any such threat. In both Courts, the reach for jurisdiction was made to provide support for the ultimate interference by the Federal District Court with the pending State Court civil action. Once such interference is eliminated as impermissible, it becomes apparent that Federal jurisdiction actually was lacking in the first place. A Supreme Court decision holding that Federal jurisdiction cannot be predicated solely on the pendency of a State Court civil action, under the circumstances of the present case, is needed to prevent recurrence of what happened in the present case, namely, the filing of successive declaratory judgment actions in order to forestall proceedings in a State Court. In its decision the Circuit Court of Appeals stated the matter quite accurately:

> "Preferring a federal adjudication of these questions, the plaintiff seeks through the present action to forestall an otherwise competent and authoritative state ruling."

We submit the Federal Courts should not lend their support to the unseemly interference involved in such a proceeding designed to forestall a State Court ruling, and that the Federal Court in such a situation should decline jurisdiction of the declaratory judgment complaint under its discretionary powers.

VIII.

CONCLUSION.

For the foregoing reasons and to clarify the law applicable to Federal District Court interference with pending State Court actions, it is urged this Petition for Writ of Certiorari should be granted.

Respectfully submitted,

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